**A response to Ofgem’s Network Access Consultation of July 2018**

Ofgem’s consultation paper (1) prompted comments from Regen with which I broadly agree. Poppy Maltby said that “A key limitation of Ofgem’s approach is that it focuses just on efficient use of the network. There is no objective in this work around decarbonisation and clean growth...” (2). Merlin Hyman wrote that “Ofgem’s focus is on efficient use of the network to minimise customer bills. Sensible enough in itself but rather a narrow goal.” (3).

The tension between the goal of decarbonisation and that of protecting vulnerable consumers is the focus of this paper, which takes the viewpoint of community energy. While Ofgem (1) does refer to decarbonisation at a number of points, its main emphasis seems to be on the customer. Elsewhere, however, Ofgem’s commitment to decarbonisation is made clear:

“The Authority‘s principal objective is to protect the interests of existing and future consumers in relation to gas conveyed through pipes and electricity conveyed by distribution or transmission systems. *The interests of such consumers are their interests taken as a whole, including their interests in the reduction of greenhouse gases* and in the security of the supply of gas and electricity to them.” (Italics added). (4)

The wider legal obligations of the UK with regard to decarbonisation can be found in references (5) and (6).

Hyman states that the “most obvious concern for distributed generators is that Ofgem is proposing that they should pay TNUoS charges for the transmission network, which they are currently exempt from.” This leads to the question of whether the growth of distributed generation should be constrained in the economic interests of consumers and how this might impact upon the UK’s decarbonisation target.

In a 2017 paper (7) on transition pathways the authors note (p.441) that

“Energy policy in the United Kingdom has moved over the last decade from an emphasis on climate change mitigation towards considerations of aﬀordability and security of supply.”

The paper examines a set of UK low-carbon transition pathways which were used to explore “what is needed to realise a transition that successfully addresses the so-called energy policy trilemma, i.e. the simultaneous delivery of low carbon, secure and aﬀordable energy services.” (p.473). A successful transition is seen to demand a portfolio of balanced measures, which include community energy schemes with distributed generation from wind and solar sources, over the whole period to 2050.

On this view, it is important to recognise the long-term contribution to successful transition which community energy schemes can make, and not hamper their development or threaten their survival by regulatory measures arising from the economic austerity of recent years. Ofgem may feel unable to adequately address all aspects of the ‘energy policy trilemma’ without changes to domestic electricity charges extending beyond its present remit.

Barrett and Owen (8) discuss the regressive nature of the present levies on energy supply, arguing that the burden they place on the poorest households should be removed by funding energy policy from income tax instead of by levies. A similar argument could be made in favour of a progressive scale of unit energy charging. Such changes might give Ofgem more room to address its obligations regarding decarbonisation, though presumably the changes would have to be implemented by Act of Parliament.

References

(1) “Getting more out of our electricity networks by reforming access and forward-looking charging arrangements”, Ofgem, July 2018, available at <https://www.ofgem.gov.uk/system/files/docs/2018/07/network_access_consultation_july_2018_-_final.pdf>

(2) Member update: “Ofgem proposes changes to how we pay for the grid”, Poppy Maltby, 24 July 2018.

(3) “Ofgem’s proposals for network charging should make everyone take notice” Merlin Hyman, Regen, 1 August 2018, available at <https://www.regen.co.uk/ofgems-proposals-for-network-charging-should-make-everyone-take-notice/>

(4) “Electricity and Gas Supply Market Report”, Ofgem, September2010 (appendix 5, section 1.4, p.19) available at <https://www.ofgem.gov.uk/ofgem-publications/38231/electricity-and-gas-supply-market-report-september-2010.pdf>

(5) “Clean growth strategy”: Department of Business, Energy and Industrial strategy, 2017, last updated 16 April 2018, available at <https://www.gov.uk/government/publications/clean-growth-strategy>

(6) “Climate Change Act 2008”, The Committee on Climate Change, available at

<https://www.theccc.org.uk/tackling-climate-change/the-legal-landscape/the-climate-change-act/>

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(8) “Poorest households hit hardest by UK climate change charges despite using least energy”, John Barrett and Anne Owen, March 2, 2018, The Conversation

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